take appropriate action to remedy any significant deficiencies or material weaknesses in its compliance program and to terminate any violations of section 13 of the BHC Act or this part.

V. TRAINING

Banking entities must provide adequate training to personnel and managers of the banking entity engaged in activities or investments governed by section 13 of the BHC Act or this part, as well as other appropriate supervisory, risk, independent testing, and audit personnel, in order to effectively implement and enforce the compliance program. This training should occur with a frequency appropriate to the size and the risk profile of the banking entity's trading activities and covered fund activities or investments.

VI. RECORDKEEPING

Banking entities must create and retain records sufficient to demonstrate compliance and support the operations and effectiveness of the compliance program. A banking entity must retain these records for a period that is no less than 5 years or such longer period as required by the Board in a form that allows it to promptly produce such records to the Board on request.

PART 249—LIQUIDITY RISK MEASUREMENT STANDARDS (REGULATION WW)

Subpart A—;General Provisions

Subpart B—Liquidity Coverage Ratio

Subpart C—High-Quality Liquid Assets

Subpart D—Total Net Cash Outflow

Subpart E—Liquidity Coverage Shortfall

Subpart F—Transitions

Subpart G—Liquidity Coverage Ratio for Certain Bank Holding Companies

AUTHORITY: 12 U.S.C. 248(a), 321–338a, 481–486, 1467a(g)(1), 1818, 1828, 1831p–1, 1831o–1, 1844(b), 5365, 5366, 5368.

SOURCE: 79 FR 61523, 61539, Oct. 10, 2014, unless otherwise noted.

EDITORIAL NOTE: Nomenclature changes to part 249 appear at 79 FR 61539, Oct. 10, 2014.

Subpart A—General Provisions

§ 249.1 Purpose and applicability.

(a) *Purpose*. This part establishes a minimum liquidity standard for certain Board-regulated institutions on a consolidated basis, as set forth herein.

(b) *Applicability*. (1) A Board-regulated institution is subject to the minimum liquidity standard and other requirements of this part if:

(i) It has total consolidated assets equal to $250 billion or more, as reported on the most recent year-end (as applicable):

(A) Consolidated Financial Statements for Holding Companies reporting form (FR Y–9C), or, if the Board-regulated institution is not required to report on the FR Y–9C, its estimated total consolidated assets as of the most recent year end, calculated in accordance with the instructions to the FR Y–9C; or

(B) Consolidated Report of Condition and Income (Call Report);

(ii) It has total consolidated on-balance sheet foreign exposure at the most recent year-end equal to $10 billion or more (where total on-balance sheet foreign exposure equals total cross-border claims less claims with a head office or guarantor located in another country plus redistributed guaranteed amounts to the country of the head office or guarantor plus local country claims on local residents plus revaluation gains on foreign exchange and derivative transaction products,

calculated in accordance with the Federal Financial Institutions Examination Council (FFIEC) 009 Country Exposure Report);

(iii) It is a depository institution that is a consolidated subsidiary of a company described in paragraphs (b)(1)(i) or (ii) of this section and has total consolidated assets equal to $10 billion or more, as reported on the most recent year-end Consolidated Report of Condition and Income;

(iv) It is a covered nonbank company;

(v) It is a covered depository institution holding company that meets the criteria in § 249.60(a) but does not meet the criteria in paragraphs (b)(1)(i) or (ii) of this section, and is subject to complying with the requirements of this part in accordance with subpart G of this part; or

(vi) The Board has determined that application of this part is appropriate in light of the Board-regulated institution's asset size, level of complexity, risk profile, scope of operations, affiliation with foreign or domestic covered entities, or risk to the financial system.

(2) Subject to the transition periods set forth in subpart F of this part:

(i) A Board-regulated institution that is subject to the minimum liquidity standard and other requirements of this part under paragraph (b)(1) of this section on September 30, 2014, must comply with the requirements of this part beginning on January 1, 2015;

(ii) A Board-regulated institution that becomes subject to the minimum liquidity standard and other requirements of this part under paragraphs (b)(1)(i) through (iii) of this section after September 30, 2014, must comply with the requirements of this part beginning on April 1 of the year in which the Board-regulated institution becomes subject to the minimum liquidity standard and other requirements of this part, except:

(A) From April 1 to December 31 of the year in which the Board-regulated institution becomes subject to the minimum liquidity standard and other requirements of this part, the Board-regulated institution must calculate and maintain a liquidity coverage ratio monthly, on each calculation date that is the last business day of the applicable calendar month; and

(B) Beginning January 1 of the year after the first year in which the Board-regulated institution becomes subject to the minimum liquidity standard and other requirements of this part under paragraph (b)(1) of this section, and thereafter, the Board-regulated institution must calculate and maintain a liquidity coverage ratio on each calculation date; and

(iii) A Board-regulated institution that becomes subject to the minimum liquidity standard and other requirements of this part under paragraph (b)(1)(vi) of this section after September 30, 2014, must comply with the requirements of this part subject to a transition period specified by the Board.

(3) This part does not apply to:

(i) A bridge financial company as defined in 12 U.S.C. 5381(a)(3), or a subsidiary of a bridge financial company; or

(ii) A new depository institution or a bridge depository institution, as defined in 12 U.S.C. 1813(i).

(4) A Board-regulated institution subject to a minimum liquidity standard under this part shall remain subject until the Board determines in writing that application of this part to the Board-regulated institution is not appropriate in light of the Board-regulated institution's asset size, level of complexity, risk profile, scope of operations, affiliation with foreign or domestic covered entities, or risk to the financial system.

(5) In making a determination under paragraphs (b)(1)(vi) or (4) of this section, the Board will apply, as appropriate, notice and response procedures in the same manner and to the same extent as the notice and response procedures set forth in 12 CFR 263.202.

(c) *Covered nonbank companies.* The Board will establish a minimum liquidity standard for a designated company under this part by rule or order. In establishing such standard, the Board will consider the factors set forth in sections 165(a)(2) and (b)(3) of the Dodd-Frank Act and may tailor the application of the requirements of this part to the designated company based on the

nature, scope, size, scale, concentration, interconnectedness, mix of the activities of the designated company or any other risk-related factor that the Board determines is appropriate.

§ 249.2 Reservation of authority.

(a) The Board may require a Board-regulated institution to hold an amount of high-quality liquid assets (HQLA) greater than otherwise required under this part, or to take any other measure to improve the Board-regulated institution's liquidity risk profile, if the Board determines that the Board-regulated institution's liquidity requirements as calculated under this part are not commensurate with the Board-regulated institution's liquidity risks. In making determinations under this section, the Board will apply notice and response procedures as set forth in 12 CFR 263.202.

(b) Nothing in this part limits the authority of the Board under any other provision of law or regulation to take supervisory or enforcement action, including action to address unsafe or unsound practices or conditions, deficient liquidity levels, or violations of law.

§ 249.3 Definitions.

For the purposes of this part:

Affiliated depository institution means with respect to a Board-regulated institution that is a depository institution, another depository institution that is a consolidated subsidiary of a bank holding company or savings and loan holding company of which the Board-regulated institution is also a consolidated subsidiary.

Asset exchange means a transaction in which, as of the calculation date, the counterparties have previously exchanged non-cash assets, and have each agreed to return such assets to each other at a future date. Asset exchanges do not include secured funding and secured lending transactions.

Bank holding company is defined in section 2 of the Bank Holding Company Act of 1956, as amended (12 U.S.C. 1841 *et seq.*).

Board means the Board of Governors of the Federal Reserve System.

Board-regulated institution means a state member bank, covered depository institution holding company, or covered nonbank company.

Brokered deposit means any deposit held at the Board-regulated institution that is obtained, directly or indirectly, from or through the mediation or assistance of a deposit broker as that term is defined in section 29 of the Federal Deposit Insurance Act (12 U.S.C. 1831f(g)), and includes a reciprocal brokered deposit and a brokered sweep deposit.

Brokered sweep deposit means a deposit held at the Board-regulated institution by a customer or counterparty through a contractual feature that automatically transfers to the Board-regulated institution from another regulated financial company at the close of each business day amounts identified under the agreement governing the account from which the amount is being transferred.

Calculation date means any date on which a Board-regulated institution calculates its liquidity coverage ratio under § 249.0.

Client pool security means a security that is owned by a customer of the Board-regulated institution that is not an asset of the Board-regulated institution, regardless of a Board-regulated institution's hypothecation rights with respect to the security.

Collateralized deposit means:

(1) A deposit of a public sector entity held at the Board-regulated institution that is secured under applicable law by a lien on assets owned by the Board-regulated institution and that gives the depositor, as holder of the lien, priority over the assets in the event the Board-regulated institution enters into receivership, bankruptcy, insolvency, liquidation, resolution, or similar proceeding; or

(2) A deposit of a fiduciary account held at the Board-regulated institution for which the Board-regulated institution is a fiduciary and sets aside assets owned by the Board-regulated institution as security under 12 CFR 9.10 (national bank) or 12 CFR 150.300 through 150.320 (Federal savings associations) and that gives the depositor priority over the assets in the event the Board-

regulated institution enters into receivership, bankruptcy, insolvency, liquidation, resolution, or similar proceeding.

Committed means, with respect to a credit facility or liquidity facility, that under the terms of the legally binding written agreement governing the facility:

(1) The Board-regulated institution may not refuse to extend credit or funding under the facility; or

(2) The Board-regulated institution may refuse to extend credit under the facility (to the extent permitted under applicable law) only upon the satisfaction or occurrence of one or more specified conditions not including change in financial condition of the borrower, customary notice, or administrative conditions.

Company means a corporation, partnership, limited liability company, depository institution, business trust, special purpose entity, association, or similar organization.

Consolidated subsidiary means a company that is consolidated on the balance sheet of a Board-regulated institution or other company under GAAP.

Controlled subsidiary means, with respect to a company or a Board-regulated institution, a consolidated subsidiary or a company that otherwise meets the definition of ''subsidiary'' in section 2(d) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(d)).

Covered depository institution holding company means a top-tier bank holding company or savings and loan holding company domiciled in the United States other than:

(1) A top-tier savings and loan holding company that is:

(i) A grandfathered unitary savings and loan holding company as defined in section 10(c)(9)(A) of the Home Owners' Loan Act (12 U.S.C. 1461 *et seq.*); and

(ii) As of June 30 of the previous calendar year, derived 50 percent or more of its total consolidated assets or 50 percent of its total revenues on an enterprise-wide basis (as calculated under GAAP) from activities that are not financial in nature under section 4(k) of the Bank Holding Company Act (12 U.S.C. 1842(k));

(2) A top-tier depository institution holding company that is an insurance underwriting company; or

(3)(i) A top-tier depository institution holding company that, as of June 30 of the previous calendar year, held 25 percent or more of its total consolidated assets in subsidiaries that are insurance underwriting companies (other than assets associated with insurance for credit risk); and

(ii) For purposes of paragraph 3(i) of this definition, the company must calculate its total consolidated assets in accordance with GAAP, or if the company does not calculate its total consolidated assets under GAAP for any regulatory purpose (including compliance with applicable securities laws), the company may estimate its total consolidated assets, subject to review and adjustment by the Board of Governors of the Federal Reserve System.

Covered nonbank company means a designated company that the Board of Governors of the Federal Reserve System has required by rule or order to comply with the requirements of 12 CFR part 249.

Credit facility means a legally binding agreement to extend funds if requested at a future date, including a general working capital facility such as a revolving credit facility for general corporate or working capital purposes. A credit facility does not include a legally binding written agreement to extend funds at a future date to a counterparty that is made for the purpose of refinancing the debt of the counterparty when it is unable to obtain a primary or anticipated source of funding. *See liquidity facility*.

Customer short position means a legally binding written agreement pursuant to which the customer must deliver to the Board-regulated institution a non-cash asset that the customer has already sold.

Deposit means ''deposit'' as defined in section 3(*l*) of the Federal Deposit Insurance Act (12 U.S.C. 1813(*l*)) or an equivalent liability of the Board-regulated institution in a jurisdiction outside of the United States.

Depository institution is defined in section 3(c) of the Federal Deposit Insurance Act (12 U.S.C. 1813(c)).

Depository institution holding company means a bank holding company or savings and loan holding company.

Deposit insurance means deposit insurance provided by the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act (12 U.S.C. 1811 *et seq.*).

Derivative transaction means a financial contract whose value is derived from the values of one or more underlying assets, reference rates, or indices of asset values or reference rates. Derivative contracts include interest rate derivative contracts, exchange rate derivative contracts, equity derivative contracts, commodity derivative contracts, credit derivative contracts, forward contracts, and any other instrument that poses similar counterparty credit risks. Derivative contracts also include unsettled securities, commodities, and foreign currency exchange transactions with a contractual settlement or delivery lag that is longer than the lesser of the market standard for the particular instrument or five business days. A derivative does not include any identified banking product, as that term is defined in section 402(b) of the Legal Certainty for Bank Products Act of 2000 (7 U.S.C. 27(b)), that is subject to section 403(a) of that Act (7 U.S.C. 27a(a)).

Designated company means a company that the Financial Stability Oversight Council has determined under section 113 of the Dodd-Frank Act (12 U.S.C. 5323) shall be supervised by the Board of Governors of the Federal Reserve System and for which such determination is still in effect.

Dodd-Frank Act means the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111–203, 124 Stat. 1376 (2010).

Eligible HQLA means a high-quality liquid asset that meets the requirements set forth in § 249.22.

Fair value means fair value as determined under GAAP.

Financial sector entity means an investment adviser, investment company, pension fund, non-regulated fund, regulated financial company, or identified company.

Foreign withdrawable reserves means a Board-regulated institution's balances held by or on behalf of the Board-regulated institution at a foreign central bank that are not subject to restrictions on the Board-regulated institution's ability to use the reserves.

GAAP means generally accepted accounting principles as used in the United States.

High-quality liquid asset (HQLA) means an asset that is a level 1 liquid asset, level 2A liquid asset, or level 2B liquid asset, in accordance with the criteria set forth in § 249.20.

HQLA amount means the HQLA amount as calculated under § 249.21.

Identified company means any company that the Board has determined should be treated for the purposes of this part the same as a regulated financial company, investment company, non-regulated fund, pension fund, or investment adviser, based on activities similar in scope, nature, or operations to those entities.

Individual means a natural person, and does not include a sole proprietorship.

Investment adviser means a company registered with the SEC as an investment adviser under the Investment Advisers Act of 1940 (15 U.S.C. 80b–1 *et seq.*) or foreign equivalents of such company.

Investment company means a person or company registered with the SEC under the Investment Company Act of 1940 (15 U.S.C. 80a–1 *et seq.*) or foreign equivalents of such persons or companies.

Liquid and readily-marketable means, with respect to a security, that the security is traded in an active secondary market with:

(1) More than two committed market makers;

(2) A large number of non-market maker participants on both the buying and selling sides of transactions;

(3) Timely and observable market prices; and

(4) A high trading volume.

Liquidity facility means a legally binding written agreement to extend funds at a future date to a counterparty that is made for the purpose of refinancing the debt of the counterparty when it is unable to obtain a primary or anticipated source of funding. A liquidity facility includes

an agreement to provide liquidity support to asset-backed commercial paper by lending to, or purchasing assets from, any structure, program or conduit in the event that funds are required to repay maturing asset-backed commercial paper. Liquidity facilities exclude facilities that are established solely for the purpose of general working capital, such as revolving credit facilities for general corporate or working capital purposes. If a facility has characteristics of both credit and liquidity facilities, the facility must be classified as a liquidity facility. *See credit facility*.

Multilateral development bank means the International Bank for Reconstruction and Development, the Multilateral Investment Guarantee Agency, the International Finance Corporation, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the European Investment Fund, the Nordic Investment Bank, the Caribbean Development Bank, the Islamic Development Bank, the Council of Europe Development Bank, and any other entity that provides financing for national or regional development in which the U.S. government is a shareholder or contributing member or which the Board determines poses comparable risk.

Non-regulated fund means any hedge fund or private equity fund whose investment adviser is required to file SEC Form PF (Reporting Form for Investment Advisers to Private Funds and Certain Commodity Pool Operators and Commodity Trading Advisors), other than a small business investment company as defined in section 102 of the Small Business Investment Act of 1958 (15 U.S.C. 661 *et seq.*).

Nonperforming exposure means an exposure that is past due by more than 90 days or nonaccrual.

Operational deposit means unsecured wholesale funding or a collateralized deposit that is necessary for the Board-regulated institution to provide operational services as an independent third-party intermediary, agent, or administrator to the wholesale customer or counterparty providing the unsecured wholesale funding or collateralized deposit. In order to recognize a deposit as an operational deposit for purposes of this part, a Board-regulated institution must comply with the requirements of § 249.4(b) with respect to that deposit.

Operational services means the following services, provided they are performed as part of cash management, clearing, or custody services:

(1) Payment remittance;

(2) Administration of payments and cash flows related to the safekeeping of investment assets, not including the purchase or sale of assets;

(3) Payroll administration and control over the disbursement of funds;

(4) Transmission, reconciliation, and confirmation of payment orders;

(5) Daylight overdraft;

(6) Determination of intra-day and final settlement positions;

(7) Settlement of securities transactions;

(8) Transfer of capital distributions and recurring contractual payments;

(9) Customer subscriptions and redemptions;

(10) Scheduled distribution of customer funds;

(11) Escrow, funds transfer, stock transfer, and agency services, including payment and settlement services, payment of fees, taxes, and other expenses; and

(12) Collection and aggregation of funds.

Pension fund means an employee benefit plan as defined in paragraphs (3) and (32) of section 3 of the Employee Retirement Income and Security Act of 1974 (29 U.S.C. 1001 *et seq.*), a ''governmental plan'' (as defined in 29 U.S.C. 1002(32)) that complies with the tax deferral qualification requirements provided in the Internal Revenue Code, or any similar employee benefit plan established under the laws of a foreign jurisdiction.

Public sector entity means a state, local authority, or other governmental subdivision below the U.S. sovereign entity level.

Publicly traded means, with respect to an equity security, that the equity security is traded on:

(1) Any exchange registered with the SEC as a national securities exchange

under section 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f); or

(2) Any non-U.S.-based securities exchange that:

(i) Is registered with, or approved by, a national securities regulatory authority; and

(ii) Provides a liquid, two-way market for the security in question.

Qualifying master netting agreement means a written, legally enforceable agreement provided that:

(1) The agreement creates a single legal obligation for all individual transactions covered by the agreement upon an event of default following any stay permitted by paragraph (2) of this definition, including upon an event of receivership, conservatorship, insolvency, liquidation, or similar proceeding, of the counterparty;

(2) The agreement provides the Board-regulated institution the right to accelerate, terminate, and close-out on a net basis all transactions under the agreement and to liquidate or set-off collateral promptly upon an event of default, including upon an event of receivership, conservatorship, insolvency, liquidation, or similar proceeding, of the counterparty, provided that, in any such case, any exercise of rights under the agreement will not be stayed or avoided under applicable law in the relevant jurisdictions, other than:

(i) In receivership, conservatorship, or resolution under the Federal Deposit Insurance Act, Title II of the Dodd-Frank Act, or under any similar insolvency law applicable to GSEs, or laws of foreign jurisdictions that are substantially similar[1] to the U.S. laws referenced in this paragraph (2)(i) in order to facilitate the orderly resolution of the defaulting counterparty; or

(ii) Where the agreement is subject by its terms to, or incorporates, any of the laws referenced in paragraph (2)(i) of this definition;

(3) The agreement does not contain a walkaway clause (that is, a provision that permits a non-defaulting counterparty to make a lower payment than it otherwise would make under the agreement, or no payment at all, to a defaulter or the estate of a defaulter, even if the defaulter or the estate of the defaulter is a net creditor under the agreement); and

(4) In order to recognize an agreement as a qualifying master netting agreement for purposes of this subpart, a Board-regulated institution must comply with the requirements of § 249.4(a) with respect to that agreement.

Reciprocal brokered deposit means a brokered deposit that a Board-regulated institution receives through a deposit placement network on a reciprocal basis, such that:

(1) For any deposit received, the Board-regulated institution (as agent for the depositors) places the same amount with other depository institutions through the network; and

(2) Each member of the network sets the interest rate to be paid on the entire amount of funds it places with other network members.

Regulated financial company means:

(1) A depository institution holding company or designated company;

(2) A company included in the organization chart of a depository institution holding company on the Form FR Y–6, as listed in the hierarchy report of the depository institution holding company produced by the National Information Center (NIC) Web site,[2] provided that the top-tier depository institution holding company is subject to a minimum liquidity standard under 12 CFR part 249;

(3) A depository institution; foreign bank; credit union; industrial loan company, industrial bank, or other similar institution described in section 2 of the Bank Holding Company Act of 1956, as amended (12 U.S.C. 1841 *et seq.*); national bank, state member bank, or state non-member bank that is not a depository institution;

(4) An insurance company;

(5) A securities holding company as defined in section 618 of the Dodd-Frank Act (12 U.S.C. 1850a); broker or dealer registered with the SEC under section 15 of the Securities Exchange

[1] The Board expects to evaluate jointly with the OCC and Federal Deposit Insurance Corporation whether foreign special resolution regimes meet the requirements of this paragraph.

[2] *http://www.ffiec.gov/nicpubweb/nicweb/NicHome.aspx*.

Act (15 U.S.C. 78o); futures commission merchant as defined in section 1a of the Commodity Exchange Act of 1936 (7 U.S.C. 1 *et seq.*); swap dealer as defined in section 1a of the Commodity Exchange Act (7 U.S.C. 1a); or security-based swap dealer as defined in section 3 of the Securities Exchange Act (15 U.S.C. 78c);

(6) A designated financial market utility, as defined in section 803 of the Dodd-Frank Act (12 U.S.C. 5462); and

(7) Any company not domiciled in the United States (or a political subdivision thereof) that is supervised and regulated in a manner similar to entities described in paragraphs (1) through (6) of this definition (e.g., a foreign banking organization, foreign insurance company, foreign securities broker or dealer or foreign financial market utility).

(8) A regulated financial company does not include:

(i) U.S. government-sponsored enterprises;

(ii) Small business investment companies, as defined in section 102 of the Small Business Investment Act of 1958 (15 U.S.C. 661 *et seq.*);

(iii) Entities designated as Community Development Financial Institutions (CDFIs) under 12 U.S.C. 4701 *et seq.* and 12 CFR part 1805; or

(iv) Central banks, the Bank for International Settlements, the International Monetary Fund, or multilateral development banks.

Reserve Bank balances means:

(1) Balances held in a master account of the Board-regulated institution at a Federal Reserve Bank, less any balances that are attributable to any respondent of the Board-regulated institution if the Board-regulated institution is a correspondent for a pass-through account as defined in section 204.2(l) of Regulation D (12 CFR 204.2(l));

(2) Balances held in a master account of a correspondent of the Board-regulated institution that are attributable to the Board-regulated institution if the Board-regulated institution is a respondent for a pass-through account as defined in section 204.2(l) of Regulation D;

(3) ''Excess balances'' of the Board-regulated institution as defined in section 204.2(z) of Regulation D (12 CFR 204.2(z)) that are maintained in an ''excess balance account'' as defined in section 204.2(aa) of Regulation D (12 CFR 204.2(aa)) if the Board-regulated institution is an excess balance account participant; or

(4) ''Term deposits'' of the Board-regulated institution as defined in section 204.2(dd) of Regulation D (12 CFR 204.2(dd)) if such term deposits are offered and maintained pursuant to terms and conditions that:

(i) Explicitly and contractually permit such term deposits to be withdrawn upon demand prior to the expiration of the term, or that

(ii) Permit such term deposits to be pledged as collateral for term or automatically-renewing overnight advances from the Federal Reserve Bank.

Retail customer or counterparty means a customer or counterparty that is:

(1) An individual;

(2) A business customer, but solely if and to the extent that:

(i) The Board-regulated institution manages its transactions with the business customer, including deposits, unsecured funding, and credit facility and liquidity facility transactions, in the same way it manages its transactions with individuals;

(ii) Transactions with the business customer have liquidity risk characteristics that are similar to comparable transactions with individuals; and

(iii) The total aggregate funding raised from the business customer is less than $1.5 million; or

(3) A living or testamentary trust that:

(i) Is solely for the benefit of natural persons;

(ii) Does not have a corporate trustee; and

(iii) Terminates within 21 years and 10 months after the death of grantors or beneficiaries of the trust living on the effective date of the trust or within 25 years, if applicable under state law.

Retail deposit means a demand or term deposit that is placed with the Board-regulated institution by a retail customer or counterparty, other than a brokered deposit.

Retail mortgage means a mortgage that is primarily secured by a first or

subsequent lien on one-to-four family residential property.

Savings and loan holding company means a savings and loan holding company as defined in section 10 of the Home Owners' Loan Act (12 U.S.C. 1467a).

SEC means the Securities and Exchange Commission.

Secured funding transaction means any funding transaction that is subject to a legally binding agreement as of the calculation date and gives rise to a cash obligation of the Board-regulated institution to a counterparty that is secured under applicable law by a lien on assets owned by the Board-regulated institution, which gives the counterparty, as holder of the lien, priority over the assets in the event the Board-regulated institution enters into receivership, bankruptcy, insolvency, liquidation, resolution, or similar proceeding. Secured funding transactions include repurchase transactions, loans of collateral to the Board-regulated institution's customers to effect short positions, other secured loans, and borrowings from a Federal Reserve Bank.

Secured lending transaction means any lending transaction that is subject to a legally binding agreement of the calculation date and gives rise to a cash obligation of a counterparty to the Board-regulated institution that is secured under applicable law by a lien on assets owned by the counterparty, which gives the Board-regulated institution, as holder of the lien, priority over the assets in the event the counterparty enters into receivership, bankruptcy, insolvency, liquidation, resolution, or similar proceeding, including reverse repurchase transactions and securities borrowing transactions.

Securities Exchange Act means the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*).

Sovereign entity means a central government (including the U.S. government) or an agency, department, ministry, or central bank of a central government.

Special purpose entity means a company organized for a specific purpose, the activities of which are significantly limited to those appropriate to accomplish a specific purpose, and the structure of which is intended to isolate the credit risk of the special purpose entity.

Stable retail deposit means a retail deposit that is entirely covered by deposit insurance and:

(1) Is held by the depositor in a transactional account; or

(2) The depositor that holds the account has another established relationship with the Board-regulated institution such as another deposit account, a loan, bill payment services, or any similar service or product provided to the depositor that the Board-regulated institution demonstrates to the satisfaction of the Board would make deposit withdrawal highly unlikely during a liquidity stress event.

State member bank means a state bank that is a member of the Federal Reserve System.

Structured security means a security whose cash flow characteristics depend upon one or more indices or that has embedded forwards, options, or other derivatives or a security where an investor's investment return and the issuer's payment obligations are contingent on, or highly sensitive to, changes in the value of underlying assets, indices, interest rates, or cash flows.

Structured transaction means a secured transaction in which repayment of obligations and other exposures to the transaction is largely derived, directly or indirectly, from the cash flow generated by the pool of assets that secures the obligations and other exposures to the transaction.

Two-way market means a market where there are independent bona fide offers to buy and sell so that a price reasonably related to the last sales price or current bona fide competitive bid and offer quotations can be determined within one day and settled at that price within a relatively short time frame conforming to trade custom.

U.S. government-sponsored enterprise means an entity established or chartered by the Federal government to serve public purposes specified by the United States Congress, but whose debt obligations are not explicitly guaranteed by the full faith and credit of the United States government.

Unsecured wholesale funding means a liability or general obligation of the Board-regulated institution to a wholesale customer or counterparty that is not secured under applicable law by a lien on assets owned by the Board-regulated institution, including a wholesale deposit.

Wholesale customer or counterparty means a customer or counterparty that is not a retail customer or counterparty.

Wholesale deposit means a demand or term deposit that is provided by a wholesale customer or counterparty.

[79 FR 61523, 61539, Oct. 10, 2014, as amended at 79 FR 78296, Dec. 30, 2014]

§ 249.4 Certain operational requirements.

(a) *Qualifying master netting agreements.* In order to recognize an agreement as a qualifying master netting agreement as defined in § 249.3, a Board-regulated institution must:

(1) Conduct sufficient legal review to conclude with a well-founded basis (and maintain sufficient written documentation of that legal review) that:

(i) The agreement meets the requirements of the definition of qualifying master netting agreement in § 249.3; and

(ii) In the event of a legal challenge (including one resulting from default or from receivership, bankruptcy, insolvency, liquidation, resolution, or similar proceeding) the relevant judicial and administrative authorities would find the agreement to be legal, valid, binding, and enforceable under the law of the relevant jurisdictions; and

(2) Establish and maintain written procedures to monitor possible changes in relevant law and to ensure that the agreement continues to satisfy the requirements of the definition of qualifying master netting agreement in § 249.3.

(b) *Operational deposits.* In order to recognize a deposit as an operational deposit as defined in § 249.3:

(1) The related operational services must be performed pursuant to a legally binding written agreement, and:

(i) The termination of the agreement must be subject to a minimum 30 calendar-day notice period; or

(ii) As a result of termination of the agreement or transfer of services to a third-party provider, the customer providing the deposit would incur significant contractual termination costs or switching costs (switching costs include significant technology, administrative, and legal service costs incurred in connection with the transfer of the operational services to a third-party provider);

(2) The deposit must be held in an account designated as an operational account;

(3) The customer must hold the deposit at the Board-regulated institution for the primary purpose of obtaining the operational services provided by the Board-regulated institution;

(4) The deposit account must not be designed to create an economic incentive for the customer to maintain excess funds therein through increased revenue, reduction in fees, or other offered economic incentives;

(5) The Board-regulated institution must demonstrate that the deposit is empirically linked to the operational services and that it has a methodology that takes into account the volatility of the average balance for identifying any excess amount, which must be excluded from the operational deposit amount;

(6) The deposit must not be provided in connection with the Board-regulated institution's provision of prime brokerage services, which, for the purposes of this part, are a package of services offered by the Board-regulated institution whereby the Board-regulated institution, among other services, executes, clears, settles, and finances transactions entered into by the customer or a third-party entity on behalf of the customer (such as an executing broker), and where the Board-regulated institution has a right to use or rehypothecate assets provided by the customer, including in connection with the extension of margin and other similar financing of the customer, subject to applicable law, and includes operational services provided to a nonregulated fund; and

(7) The deposits must not be for arrangements in which the Board-regulated institution (as correspondent)

holds deposits owned by another depository institution bank (as respondent) and the respondent temporarily places excess funds in an overnight deposit with the Board-regulated institution.

Subpart B—Liquidity Coverage Ratio

§ 249.10 Liquidity coverage ratio.

(a) *Minimum liquidity coverage ratio requirement.* Subject to the transition provisions in subpart F of this part, a Board-regulated institution must calculate and maintain a liquidity coverage ratio that is equal to or greater than 1.0 on each business day in accordance with this part. A Board-regulated institution must calculate its liquidity coverage ratio as of the same time on each business day (elected calculation time). The Board-regulated institution must select this time by written notice to the Board prior to the effective date of this rule. The Board-regulated institution may not thereafter change its elected calculation time without prior written approval from the Board.

(b) *Calculation of the liquidity coverage ratio.* A Board-regulated institution's liquidity coverage ratio equals:

(1) The Board-regulated institution's HQLA amount as of the calculation date, calculated under subpart C of this part; *divided by*

(2) The Board-regulated institution's total net cash outflow amount as of the calculation date, calculated under subpart D of this part.

Subpart C—High-Quality Liquid Assets

§ 249.20 High-quality liquid asset criteria.

(a) *Level 1 liquid assets.* An asset is a level 1 liquid asset if it is one of the following types of assets:

(1) Reserve Bank balances;

(2) Foreign withdrawable reserves;

(3) A security that is issued by, or unconditionally guaranteed as to the timely payment of principal and interest by, the U.S. Department of the Treasury;

(4) A security that is issued by, or unconditionally guaranteed as to the timely payment of principal and interest by, a U.S. government agency (other than the U.S. Department of the Treasury) whose obligations are fully and explicitly guaranteed by the full faith and credit of the U.S. government, provided that the security is liquid and readily-marketable;

(5) A security that is issued by, or unconditionally guaranteed as to the timely payment of principal and interest by, a sovereign entity, the Bank for International Settlements, the International Monetary Fund, the European Central Bank, European Community, or a multilateral development bank, that is:

(i) Assigned a zero percent risk weight under subpart D of Regulation Q (12 CFR part 217) as of the calculation date;

(ii) Liquid and readily-marketable;

(iii) Issued or guaranteed by an entity whose obligations have a proven record as a reliable source of liquidity in repurchase or sales markets during stressed market conditions; and

(iv) Not an obligation of a financial sector entity and not an obligation of a consolidated subsidiary of a financial sector entity; or

(6) A security issued by, or unconditionally guaranteed as to the timely payment of principal and interest by, a sovereign entity that is not assigned a zero percent risk weight under subpart D of Regulation Q (12 CFR part 217), where the sovereign entity issues the security in its own currency, the security is liquid and readily-marketable, and the Board-regulated institution holds the security in order to meet its net cash outflows in the jurisdiction of the sovereign entity, as calculated under subpart D of this part.

(b) *Level 2A liquid assets.* An asset is a level 2A liquid asset if the asset is liquid and readily-marketable and is one of the following types of assets:

(1) A security issued by, or guaranteed as to the timely payment of principal and interest by, a U.S. government-sponsored enterprise, that is investment grade under 12 CFR part 1 as of the calculation date, provided that the claim is senior to preferred stock; or

(2) A security that is issued by, or guaranteed as to the timely payment

of principal and interest by, a sovereign entity or multilateral development bank that is:

(i) Not included in level 1 liquid assets;

(ii) Assigned no higher than a 20 percent risk weight under subpart D of Regulation Q (12 CFR part 217) as of the calculation date;

(iii) Issued or guaranteed by an entity whose obligations have a proven record as a reliable source of liquidity in repurchase or sales markets during stressed market conditions, as demonstrated by:

(A) The market price of the security or equivalent securities of the issuer declining by no more than 10 percent during a 30 calendar-day period of significant stress, or

(B) The market haircut demanded by counterparties to secured lending and secured funding transactions that are collateralized by the security or equivalent securities of the issuer increasing by no more than 10 percentage points during a 30 calendar-day period of significant stress; and

(iv) Not an obligation of a financial sector entity, and not an obligation of a consolidated subsidiary of a financial sector entity.

(c) *Level 2B liquid assets.* An asset is a level 2B liquid asset if the asset is liquid and readily-marketable and is one of the following types of assets:

(1) A corporate debt security that is:

(i) Investment grade under 12 CFR part 1 as of the calculation date;

(ii) Issued or guaranteed by an entity whose obligations have a proven record as a reliable source of liquidity in repurchase or sales markets during stressed market conditions, as demonstrated by:

(A) The market price of the corporate debt security or equivalent securities of the issuer declining by no more than 20 percent during a 30 calendar-day period of significant stress, or

(B) The market haircut demanded by counterparties to secured lending and secured funding transactions that are collateralized by the corporate debt security or equivalent securities of the issuer increasing by no more than 20 percentage points during a 30 calendar-day period of significant stress; and

(iii) Not an obligation of a financial sector entity and not an obligation of a consolidated subsidiary of a financial sector entity; or

(2) A publicly traded common equity share that is:

(i) Included in:

(A) The Russell 1000 Index; or

(B) An index that a Board-regulated institution's supervisor in a foreign jurisdiction recognizes for purposes of including equity shares in level 2B liquid assets under applicable regulatory policy, if the share is held in that foreign jurisdiction;

(ii) Issued in:

(A) U.S. dollars; or

(B) The currency of a jurisdiction where the Board-regulated institution operates and the Board-regulated institution holds the common equity share in order to cover its net cash outflows in that jurisdiction, as calculated under subpart D of this part;

(iii) Issued by an entity whose publicly traded common equity shares have a proven record as a reliable source of liquidity in repurchase or sales markets during stressed market conditions, as demonstrated by:

(A) The market price of the security or equivalent securities of the issuer declining by no more than 40 percent during a 30 calendar-day period of significant stress, or

(B) The market haircut demanded by counterparties to securities borrowing and lending transactions that are collateralized by the publicly traded common equity shares or equivalent securities of the issuer increasing by no more than 40 percentage points, during a 30 calendar day period of significant stress;

(iv) Not issued by a financial sector entity and not issued by a consolidated subsidiary of a financial sector entity;

(v) If held by a depository institution, is not acquired in satisfaction of a debt previously contracted (DPC); and

(vi) If held by a consolidated subsidiary of a depository institution, the depository institution can include the publicly traded common equity share in its level 2B liquid assets only if the share is held to cover net cash outflows of the depository institution's consolidated subsidiary in which the publicly

traded common equity share is held, as calculated by the Board-regulated institution under subpart D of this part.

§ 249.21 High-quality liquid asset amount.

(a) *Calculation of the HQLA amount.* As of the calculation date, a Board-regulated institution's HQLA amount equals:

(1) The level 1 liquid asset amount; plus

(2) The level 2A liquid asset amount; plus

(3) The level 2B liquid asset amount; minus

(4) The greater of:

(i) The unadjusted excess HQLA amount; and

(ii) The adjusted excess HQLA amount.

(b) *Calculation of liquid asset amounts*—(1) *Level 1 liquid asset amount.* The level 1 liquid asset amount equals the fair value of all level 1 liquid assets held by the Board-regulated institution as of the calculation date that are eligible HQLA, less the amount of the reserve balance requirement under section 204.5 of Regulation D (12 CFR 204.5).

(2) *Level 2A liquid asset amount.* The level 2A liquid asset amount equals 85 percent of the fair value of all level 2A liquid assets held by the Board-regulated institution as of the calculation date that are eligible HQLA.

(3) *Level 2B liquid asset amount.* The level 2B liquid asset amount equals 50 percent of the fair value of all level 2B liquid assets held by the Board-regulated institution as of the calculation date that are eligible HQLA.

(c) *Calculation of the unadjusted excess HQLA amount.* As of the calculation date, the unadjusted excess HQLA amount equals:

(1) The level 2 cap excess amount; *plus*

(2) The level 2B cap excess amount.

(d) *Calculation of the level 2 cap excess amount.* As of the calculation date, the level 2 cap excess amount equals the greater of:

(1) The level 2A liquid asset amount plus the level 2B liquid asset amount minus 0.6667 times the level 1 liquid asset amount; and

(2) 0.

(e) *Calculation of the level 2B cap excess amount.* As of the calculation date, the level 2B excess amount equals the greater of:

(1) The level 2B liquid asset amount minus the level 2 cap excess amount minus 0.1765 times the sum of the level 1 liquid asset amount and the level 2A liquid asset amount; and

(2) 0.

(f) *Calculation of adjusted liquid asset amounts*—(1) *Adjusted level 1 liquid asset amount.* A Board-regulated institution's adjusted level 1 liquid asset amount equals the fair value of all level 1 liquid assets that would be eligible HQLA and would be held by the Board-regulated institution upon the unwind of any secured funding transaction (other than a collateralized deposit), secured lending transaction, asset exchange, or collateralized derivatives transaction that matures within 30 calendar days of the calculation date where the Board-regulated institution will provide an asset that is eligible HQLA and the counterparty will provide an asset that will be eligible HQLA; less the amount of the reserve balance requirement under section 204.5 of Regulation D (12 CFR 204.5).

(2) *Adjusted level 2A liquid asset amount.* A Board-regulated institution's adjusted level 2A liquid asset amount equals 85 percent of the fair value of all level 2A liquid assets that would be eligible HQLA and would be held by the Board-regulated institution upon the unwind of any secured funding transaction (other than a collateralized deposit), secured lending transaction, asset exchange, or collateralized derivatives transaction that matures within 30 calendar days of the calculation date where the Board-regulated institution will provide an asset that is eligible HQLA and the counterparty will provide an asset that will be eligible HQLA.

(3) *Adjusted level 2B liquid asset amount.* A Board-regulated institution's adjusted level 2B liquid asset amount equals 50 percent of the fair value of all level 2B liquid assets that would be eligible HQLA and would be held by the Board-regulated institution upon the unwind of any secured funding transaction (other than a

collateralized deposit), secured lending transaction, asset exchange, or collateralized derivatives transaction that matures within 30 calendar days of the calculation date where the Board-regulated institution will provide an asset that is eligible HQLA and the counterparty will provide an asset that will be eligible HQLA.

(g) *Calculation of the adjusted excess HQLA amount.* As of the calculation date, the adjusted excess HQLA amount equals:

(1) The adjusted level 2 cap excess amount; *plus*

(2) The adjusted level 2B cap excess amount.

(h) *Calculation of the adjusted level 2 cap excess amount.* As of the calculation date, the adjusted level 2 cap excess amount equals the greater of:

(1) The adjusted level 2A liquid asset amount plus the adjusted level 2B liquid asset amount minus 0.6667 times the adjusted level 1 liquid asset amount; and

(2) 0.

(i) *Calculation of the adjusted level 2B excess amount.* As of the calculation date, the adjusted level 2B excess liquid asset amount equals the greater of:

(1) The adjusted level 2B liquid asset amount minus the adjusted level 2 cap excess amount minus 0.1765 times the sum of the adjusted level 1 liquid asset amount and the adjusted level 2A liquid asset amount; and

(2) 0.

§ 249.22 Requirements for eligible high-quality liquid assets.

(a) *Operational requirements for eligible HQLA.* With respect to each asset that is eligible for inclusion in a Board-regulated institution's HQLA amount, a Board-regulated institution must meet all of the following operational requirements:

(1) The Board-regulated institution must demonstrate the operational capability to monetize the HQLA by:

(i) Implementing and maintaining appropriate procedures and systems to monetize any HQLA at any time in accordance with relevant standard settlement periods and procedures; and

(ii) Periodically monetizing a sample of HQLA that reasonably reflects the composition of the Board-regulated institution's eligible HQLA, including with respect to asset type, maturity, and counterparty characteristics;

(2) The Board-regulated institution must implement policies that require eligible HQLA to be under the control of the management function in the Board-regulated institution that is charged with managing liquidity risk, and this management function must evidence its control over the HQLA by either:

(i) Segregating the HQLA from other assets, with the sole intent to use the HQLA as a source of liquidity; or

(ii) Demonstrating the ability to monetize the assets and making the proceeds available to the liquidity management function without conflicting with a business or risk management strategy of the Board-regulated institution;

(3) The fair value of the eligible HQLA must be reduced by the outflow amount that would result from the termination of any specific transaction hedging eligible HQLA;

(4) The Board-regulated institution must implement and maintain policies and procedures that determine the composition of its eligible HQLA on each calculation date, by:

(i) Identifying its eligible HQLA by legal entity, geographical location, currency, account, or other relevant identifying factors as of the calculation date;

(ii) Determining that eligible HQLA meet the criteria set forth in this section; and

(iii) Ensuring the appropriate diversification of the eligible HQLA by asset type, counterparty, issuer, currency, borrowing capacity, or other factors associated with the liquidity risk of the assets; and

(5) The Board-regulated institution must have a documented methodology that results in a consistent treatment for determining that the Board-regulated institution's eligible HQLA meet the requirements set forth in this section.

(b) *Generally applicable criteria for eligible HQLA.* A Board-regulated institution's eligible HQLA must meet all of the following criteria:

(1) The assets are unencumbered in accordance with the following criteria:

(i) The assets are free of legal, regulatory, contractual, or other restrictions on the ability of the Board-regulated institution to monetize the assets; and

(ii) The assets are not pledged, explicitly or implicitly, to secure or to provide credit enhancement to any transaction, but the assets may be considered unencumbered if the assets are pledged to a central bank or a U.S. government-sponsored enterprise where:

(A) Potential credit secured by the assets is not currently extended to the Board-regulated institution or its consolidated subsidiaries; and

(B) The pledged assets are not required to support access to the payment services of a central bank;

(2) The asset is not:

(i) A client pool security held in a segregated account; or

(ii) An asset received from a secured funding transaction involving client pool securities that were held in a segregated account;

(3) For eligible HQLA held in a legal entity that is a U.S. consolidated subsidiary of a Board-regulated institution:

(i) If the U.S. consolidated subsidiary is subject to a minimum liquidity standard under this part, 12 CFR part 50, or 12 CFR part 329, the Board-regulated institution may include the eligible HQLA of the U.S. consolidated subsidiary in its HQLA amount up to:

(A) The amount of net cash outflows of the U.S. consolidated subsidiary calculated by the U.S. consolidated subsidiary for its own minimum liquidity standard under this part, 12 CFR part 50, or 12 CFR part 329; *plus*

(B) Any additional amount of assets, including proceeds from the monetization of assets, that would be available for transfer to the top-tier Board-regulated institution during times of stress without statutory, regulatory, contractual, or supervisory restrictions, including sections 23A and 23B of the Federal Reserve Act (12 U.S.C. 371c and 12 U.S.C. 371c–1) and Regulation W (12 CFR part 223);

(ii) If the U.S. consolidated subsidiary is not subject to a minimum liquidity standard under this part, or 12 CFR part 50, or 12 CFR part 329, the Board-regulated institution may include the eligible HQLA of the U.S. consolidated subsidiary in its HQLA amount up to:

(A) The amount of the net cash outflows of the U.S. consolidated subsidiary as of the 30th calendar day after the calculation date, as calculated by the Board-regulated institution for the Board-regulated institution's minimum liquidity standard under this part; *plus*

(B) Any additional amount of assets, including proceeds from the monetization of assets, that would be available for transfer to the top-tier Board-regulated institution during times of stress without statutory, regulatory, contractual, or supervisory restrictions, including sections 23A and 23B of the Federal Reserve Act (12 U.S.C. 371c and 12 U.S.C. 371c–1) and Regulation W (12 CFR part 223); and

(4) For HQLA held by a consolidated subsidiary of the Board-regulated institution that is organized under the laws of a foreign jurisdiction, the Board-regulated institution may include the eligible HQLA of the consolidated subsidiary organized under the laws of a foreign jurisdiction in its HQLA amount up to:

(i) The amount of net cash outflows of the consolidated subsidiary as of the 30th calendar day after the calculation date, as calculated by the Board-regulated institution for the Board-regulated institution's minimum liquidity standard under this part; *plus*

(ii) Any additional amount of assets that are available for transfer to the top-tier Board-regulated institution during times of stress without statutory, regulatory, contractual, or supervisory restrictions;

(5) The Board-regulated institution must not include as eligible HQLA any assets, or HQLA resulting from transactions involving an asset that the Board-regulated institution received with rehypothecation rights, if the counterparty that provided the asset or the beneficial owner of the asset has a contractual right to withdraw the assets without an obligation to pay more than de minimis remuneration at any time during the 30 calendar days following the calculation date; and

(6) The Board-regulated institution has not designated the assets to cover operational costs.

(c) *Maintenance of U.S. eligible HQLA.* A Board-regulated institution is generally expected to maintain as eligible HQLA an amount and type of eligible HQLA in the United States that is sufficient to meet its total net cash outflow amount in the United States under subpart D of this part.

Subpart D—Total Net Cash Outflow

§ 249.30 Total net cash outflow amount.

(a) *Calculation of total net cash outflow amount.* As of the calculation date, a Board-regulated institution's total net cash outflow amount equals:

(1) The sum of the outflow amounts calculated under § 249.32(a) through (l); *minus*

(2) The lesser of:

(i) The sum of the inflow amounts calculated under § 249.33(b) through (g); and

(ii) 75 percent of the amount calculated under paragraph (a)(1) of this section; *plus*

(3) The maturity mismatch add-on as calculated under paragraph (b) of this section.

(b) *Calculation of maturity mismatch add-on.* (1) For purposes of this section:

(i) The net cumulative maturity outflow amount for any of the 30 calendar days following the calculation date is equal to the sum of the outflow amounts for instruments or transactions identified in § 249.32(g), (h)(1), (h)(2), (h)(5), (j), (k), and (l) that have a maturity date prior to or on that calendar day *minus* the sum of the inflow amounts for instruments or transactions identified in § 249.33(c), (d), (e), and (f) that have a maturity date prior to or on that calendar day.

(ii) The net day 30 cumulative maturity outflow amount is equal to, as of the 30th day following the calculation date, the sum of the outflow amounts for instruments or transactions identified in § 249.32(g), (h)(1), (h)(2), (h)(5), (j), (k), and (l) that have a maturity date 30 calendar days or less from the calculation date *minus* the sum of the inflow amounts for instruments or transactions identified in § 249.33(c), (d), (e), and (f) that have a maturity date 30 calendar days or less from the calculation date.

(2) As of the calculation date, a Board-regulated institution's maturity mismatch add-on is equal to:

(i) The greater of:

(A) 0; and

(B) The largest net cumulative maturity outflow amount as calculated under paragraph (b)(1)(i) of this section for any of the 30 calendar days following the calculation date; *minus*

(ii) The greater of:

(A) 0; and

(B) The net day 30 cumulative maturity outflow amount as calculated under paragraph (b)(1)(ii) of this section.

(3) Other than the transactions identified in § 249.32(h)(2), (h)(5), or (j) or § 249.33(d) or (f), the maturity of which is determined under § 249.31(a), transactions that have no maturity date are not included in the calculation of the maturity mismatch add-on.

§ 249.31 Determining maturity.

(a) For purposes of calculating its liquidity coverage ratio and the components thereof under this subpart, a Board-regulated institution shall assume an asset or transaction matures:

(1) With respect to an instrument or transaction subject to § 249.32, on the earliest possible contractual maturity date or the earliest possible date the transaction could occur, taking into account any option that could accelerate the maturity date or the date of the transaction as follows:

(i) If an investor or funds provider has an option that would reduce the maturity, the Board-regulated institution must assume that the investor or funds provider will exercise the option at the earliest possible date;

(ii) If an investor or funds provider has an option that would extend the maturity, the Board-regulated institution must assume that the investor or funds provider will not exercise the option to extend the maturity;

(iii) If the Board-regulated institution has an option that would reduce the maturity of an obligation, the

Board-regulated institution must assume that the Board-regulated institution will exercise the option at the earliest possible date, except if either of the following criteria are satisfied, in which case the maturity of the obligation for purposes of this part will be the original maturity date at issuance:

(A) The original maturity of the obligation is greater than one year and the option does not go into effect for a period of 180 days following the issuance of the instrument; or

(B) The counterparty is a sovereign entity, a U.S. government-sponsored enterprise, or a public sector entity.

(iv) If the Board-regulated institution has an option that would extend the maturity of an obligation it issued, the Board-regulated institution must assume the Board-regulated institution will not exercise that option to extend the maturity; and

(v) If an option is subject to a contractually defined notice period, the Board-regulated institution must determine the earliest possible contractual maturity date regardless of the notice period.

(2) With respect to an instrument or transaction subject to §249.33, on the latest possible contractual maturity date or the latest possible date the transaction could occur, taking into account any option that could extend the maturity date or the date of the transaction as follows:

(i) If the borrower has an option that would extend the maturity, the Board-regulated institution must assume that the borrower will exercise the option to extend the maturity to the latest possible date;

(ii) If the borrower has an option that would reduce the maturity, the Board-regulated institution must assume that the borrower will not exercise the option to reduce the maturity;

(iii) If the Board-regulated institution has an option that would reduce the maturity of an instrument or transaction, the Board-regulated institution must assume the Board-regulated institution will not exercise the option to reduce the maturity;

(iv) If the Board-regulated institution has an option that would extend the maturity of an instrument or transaction, the Board-regulated institution must assume the Board-regulated institution will exercise the option to extend the maturity to the latest possible date; and

(v) If an option is subject to a contractually defined notice period, the Board-regulated institution must determine the latest possible contractual maturity date based on the borrower using the entire notice period.

(3) With respect to a transaction subject to §249.33(f)(1)(iii) through (vii) (secured lending transactions) or §249.33(f)(2)(ii) through (x) (asset exchanges), to the extent the transaction is secured by collateral that has been pledged in connection with either a secured funding transaction or asset exchange that has a remaining maturity of 30 calendar days or less as of the calculation date, the maturity date is the later of the maturity date determined under paragraph (a)(2) of this section for the secured lending transaction or asset exchange or the maturity date determined under paragraph (a)(1) of this section for the secured funding transaction or asset exchange for which the collateral has been pledged.

(4) With respect to a transaction that has no maturity date, is not an operational deposit, and is subject to the provisions of §249.32(h)(2), (h)(5), (j), or (k) or §249.33(d) or (f), the maturity date is the first calendar day after the calculation date. Any other transaction that has no maturity date and is subject to the provisions of §249.32 must be considered to mature within 30 calendar days of the calculation date.

(5) With respect to a transaction subject to the provisions of §249.33(g), on the date of the next scheduled calculation of the amount required under applicable legal requirements for the protection of customer assets with respect to each broker-dealer segregated account, in accordance with the Board-regulated institution's normal frequency of recalculating such requirements.

(b) [Reserved]

§249.32 Outflow amounts.

(a) *Retail funding outflow amount.* A Board-regulated institution's retail funding outflow amount as of the calculation date includes (regardless of maturity or collateralization):

(1) 3 percent of all stable retail deposits held at the Board-regulated institution;

(2) 10 percent of all other retail deposits held at the Board-regulated institution;

(3) 20 percent of all deposits placed at the Board-regulated institution by a third party on behalf of a retail customer or counterparty that are not brokered deposits, where the retail customer or counterparty owns the account and the entire amount is covered by deposit insurance;

(4) 40 percent of all deposits placed at the Board-regulated institution by a third party on behalf of a retail customer or counterparty that are not brokered deposits, where the retail customer or counterparty owns the account and where less than the entire amount is covered by deposit insurance; and

(5) 40 percent of all funding from a retail customer or counterparty that is not:

(i) A retail deposit;

(ii) A brokered deposit provided by a retail customer or counterparty; or

(iii) A debt instrument issued by the Board-regulated institution that is owned by a retail customer or counterparty (see paragraph (h)(2)(ii) of this section).

(b) *Structured transaction outflow amount.* If the Board-regulated institution is a sponsor of a structured transaction where the issuing entity is not consolidated on the Board-regulated institution's balance sheet under GAAP, the structured transaction outflow amount for each such structured transaction as of the calculation date is the greater of:

(1) 100 percent of the amount of all debt obligations of the issuing entity that mature 30 calendar days or less from such calculation date and all commitments made by the issuing entity to purchase assets within 30 calendar days or less from such calculation date; and

(2) The maximum contractual amount of funding the Board-regulated institution may be required to provide to the issuing entity 30 calendar days or less from such calculation date through a liquidity facility, a return or repurchase of assets from the issuing entity, or other funding agreement.

(c) *Net derivative cash outflow amount.* The net derivative cash outflow amount as of the calculation date is the sum of the net derivative cash outflow amount for each counterparty. The net derivative cash outflow amount does not include forward sales of mortgage loans and any derivatives that are mortgage commitments subject to paragraph (d) of this section. The net derivative cash outflow amount for a counterparty is the sum of:

(1) The amount, if greater than zero, of contractual payments and collateral that the Board-regulated institution will make or deliver to the counterparty 30 calendar days or less from the calculation date under derivative transactions other than transactions described in paragraph (c)(2) of this section, less the contractual payments and collateral that the Board-regulated institution will receive from the counterparty 30 calendar days or less from the calculation date under derivative transactions other than transactions described in paragraph (c)(2) of this section, provided that the derivative transactions are subject to a qualifying master netting agreement; and

(2) The amount, if greater than zero, of contractual principal payments that the Board-regulated institution will make to the counterparty 30 calendar days or less from the calculation date under foreign currency exchange derivative transactions that result in the full exchange of contractual cash principal payments in different currencies within the same business day, less the contractual principal payments that the Board-regulated institution will receive from the counterparty 30 calendar days or less from the calculation date under foreign currency exchange derivative transactions that result in the full exchange of contractual cash principal payments in different currencies within the same business day.

(d) *Mortgage commitment outflow amount.* The mortgage commitment outflow amount as of a calculation date is 10 percent of the amount of funds the Board-regulated institution has contractually committed for its

own origination of retail mortgages that can be drawn upon 30 calendar days or less from such calculation date.

(e) *Commitment outflow amount.* (1) A Board-regulated institution's commitment outflow amount as of the calculation date includes:

(i) Zero percent of the undrawn amount of all committed credit and liquidity facilities extended by a Board-regulated institution that is a depository institution to an affiliated depository institution that is subject to a minimum liquidity standard under this part;

(ii) 5 percent of the undrawn amount of all committed credit and liquidity facilities extended by the Board-regulated institution to retail customers or counterparties;

(iii) 10 percent of the undrawn amount of all committed credit facilities extended by the Board-regulated institution to a wholesale customer or counterparty that is not a financial sector entity or a consolidated subsidiary thereof, including a special purpose entity (other than those described in paragraph (e)(1)(viii) of this section) that is a consolidated subsidiary of such wholesale customer or counterparty;

(iv) 30 percent of the undrawn amount of all committed liquidity facilities extended by the Board-regulated institution to a wholesale customer or counterparty that is not a financial sector entity or a consolidated subsidiary thereof, including a special purpose entity (other than those described in paragraph (e)(1)(viii) of this section) that is a consolidated subsidiary of such wholesale customer or counterparty;

(v) 50 percent of the undrawn amount of all committed credit and liquidity facilities extended by the Board-regulated institution to depository institutions, depository institution holding companies, and foreign banks, but excluding commitments described in paragraph (e)(1)(i) of this section;

(vi) 40 percent of the undrawn amount of all committed credit facilities extended by the Board-regulated institution to a financial sector entity or a consolidated subsidiary thereof, including a special purpose entity (other than those described in paragraph (e)(1)(viii) of this section) that is a consolidated subsidiary of a financial sector entity, but excluding other commitments described in paragraph (e)(1)(i) or (v) of this section;

(vii) 100 percent of the undrawn amount of all committed liquidity facilities extended by the Board-regulated institution to a financial sector entity or a consolidated subsidiary thereof, including a special purpose entity (other than those described in paragraph (e)(1)(viii) of this section) that is a consolidated subsidiary of a financial sector entity, but excluding other commitments described in paragraph (e)(1)(i) or (v) of this section and liquidity facilities included in paragraph (b)(2) of this section;

(viii) 100 percent of the undrawn amount of all committed credit and liquidity facilities extended to a special purpose entity that issues or has issued commercial paper or securities (other than equity securities issued to a company of which the special purpose entity is a consolidated subsidiary) to finance its purchases or operations, and excluding liquidity facilities included in paragraph (b)(2) of this section; and

(ix) 100 percent of the undrawn amount of all other committed credit or liquidity facilities extended by the Board-regulated institution.

(2) For the purposes of this paragraph (e), the undrawn amount of a committed credit facility or committed liquidity facility is the entire unused amount of the facility that could be drawn upon within 30 calendar days of the calculation date under the governing agreement, less the amount of level 1 liquid assets and the amount of level 2A liquid assets securing the facility.

(3) For the purposes of this paragraph (e), the amount of level 1 liquid assets and level 2A liquid assets securing a committed credit or liquidity facility is the fair value of level 1 liquid assets and 85 percent of the fair value of level 2A liquid assets that are required to be pledged as collateral by the counterparty to secure the facility, provided that:

(i) The assets pledged upon a draw on the facility would be eligible HQLA; and

(ii) The Board-regulated institution has not included the assets as eligible HQLA under subpart C of this part as of the calculation date.

(f) *Collateral outflow amount.* The collateral outflow amount as of the calculation date includes:

(1) *Changes in financial condition.* 100 percent of all additional amounts of collateral the Board-regulated institution could be contractually required to pledge or to fund under the terms of any transaction as a result of a change in the Board-regulated institution's financial condition;

(2) *Derivative collateral potential valuation changes.* 20 percent of the fair value of any collateral securing a derivative transaction pledged to a counterparty by the Board-regulated institution that is not a level 1 liquid asset;

(3) *Potential derivative valuation changes.* The absolute value of the largest 30-consecutive calendar day cumulative net mark-to-market collateral outflow or inflow realized during the preceding 24 months resulting from derivative transaction valuation changes;

(4) *Excess collateral.* 100 percent of the fair value of collateral that:

(i) The Board-regulated institution could be required by contract to return to a counterparty because the collateral pledged to the Board-regulated institution exceeds the current collateral requirement of the counterparty under the governing contract;

(ii) Is not segregated from the Board-regulated institution's other assets such that it cannot be rehypothecated; and

(iii) Is not already excluded as eligible HQLA by the Board-regulated institution under § 249.22(b)(5);

(5) *Contractually required collateral.* 100 percent of the fair value of collateral that the Board-regulated institution is contractually required to pledge to a counterparty and, as of such calculation date, the Board-regulated institution has not yet pledged;

(6) *Collateral substitution.* (i) Zero percent of the fair value of collateral pledged to the Board-regulated institution by a counterparty where the collateral qualifies as level 1 liquid assets and eligible HQLA and where, under the contract governing the transaction, the counterparty may replace the pledged collateral with other assets that qualify as level 1 liquid assets, without the consent of the Board-regulated institution;

(ii) 15 percent of the fair value of collateral pledged to the Board-regulated institution by a counterparty, where the collateral qualifies as level 1 liquid assets and eligible HQLA and where, under the contract governing the transaction, the counterparty may replace the pledged collateral with assets that qualify as level 2A liquid assets, without the consent of the Board-regulated institution;

(iii) 50 percent of the fair value of collateral pledged to the Board-regulated institution by a counterparty where the collateral qualifies as level 1 liquid assets and eligible HQLA and where under, the contract governing the transaction, the counterparty may replace the pledged collateral with assets that qualify as level 2B liquid assets, without the consent of the Board-regulated institution;

(iv) 100 percent of the fair value of collateral pledged to the Board-regulated institution by a counterparty where the collateral qualifies as level 1 liquid assets and eligible HQLA and where, under the contract governing the transaction, the counterparty may replace the pledged collateral with assets that do not qualify as HQLA, without the consent of the Board-regulated institution;

(v) Zero percent of the fair value of collateral pledged to the Board-regulated institution by a counterparty where the collateral qualifies as level 2A liquid assets and eligible HQLA and where, under the contract governing the transaction, the counterparty may replace the pledged collateral with assets that qualify as level 1 or level 2A liquid assets, without the consent of the Board-regulated institution;

(vi) 35 percent of the fair value of collateral pledged to the Board-regulated institution by a counterparty where the collateral qualifies as level 2A liquid assets and eligible HQLA and where, under the contract governing the transaction, the counterparty may

replace the pledged collateral with assets that qualify as level 2B liquid assets, without the consent of the Board-regulated institution;

(vii) 85 percent of the fair value of collateral pledged to the Board-regulated institution by a counterparty where the collateral qualifies as level 2A liquid assets and eligible HQLA and where, under the contract governing the transaction, the counterparty may replace the pledged collateral with assets that do not qualify as HQLA, without the consent of the Board-regulated institution;

(viii) Zero percent of the fair value of collateral pledged to the Board-regulated institution by a counterparty where the collateral qualifies as level 2B liquid assets and eligible HQLA and where, under the contract governing the transaction, the counterparty may replace the pledged collateral with other assets that qualify as HQLA, without the consent of the Board-regulated institution; and

(ix) 50 percent of the fair value of collateral pledged to the Board-regulated institution by a counterparty where the collateral qualifies as level 2B liquid assets and eligible HQLA and where, under the contract governing the transaction, the counterparty may replace the pledged collateral with assets that do not qualify as HQLA, without the consent of the Board-regulated institution.

(g) *Brokered deposit outflow amount for retail customers or counterparties.* The brokered deposit outflow amount for retail customers or counterparties as of the calculation date includes:

(1) 100 percent of all brokered deposits at the Board-regulated institution provided by a retail customer or counterparty that are not described in paragraphs (g)(5) through (9) of this section and which mature 30 calendar days or less from the calculation date;

(2) 10 percent of all brokered deposits at the Board-regulated institution provided by a retail customer or counterparty that are not described in paragraphs (g)(5) through (9) of this section and which mature later than 30 calendar days from the calculation date;

(3) 20 percent of all brokered deposits at the Board-regulated institution provided by a retail customer or counterparty that are not described in paragraphs (g)(5) through (9) of this section and which are held in a transactional account with no contractual maturity date, where the entire amount is covered by deposit insurance;

(4) 40 percent of all brokered deposits at the Board-regulated institution provided by a retail customer or counterparty that are not described in paragraphs (g)(5) through (9) of this section and which are held in a transactional account with no contractual maturity date, where less than the entire amount is covered by deposit insurance;

(5) 10 percent of all reciprocal brokered deposits at the Board-regulated institution provided by a retail customer or counterparty, where the entire amount is covered by deposit insurance;

(6) 25 percent of all reciprocal brokered deposits at the Board-regulated institution provided by a retail customer or counterparty, where less than the entire amount is covered by deposit insurance;

(7) 10 percent of all brokered sweep deposits at the Board-regulated institution provided by a retail customer or counterparty:

(i) That are deposited in accordance with a contract between the retail customer or counterparty and the Board-regulated institution, a controlled subsidiary of the Board-regulated institution, or a company that is a controlled subsidiary of the same top-tier company of which the Board-regulated institution is a controlled subsidiary; and

(ii) Where the entire amount of the deposits is covered by deposit insurance;

(8) 25 percent of all brokered sweep deposits at the Board-regulated institution provided by a retail customer or counterparty:

(i) That are not deposited in accordance with a contract between the retail customer or counterparty and the Board-regulated institution, a controlled subsidiary of the Board-regulated institution, or a company that is a controlled subsidiary of the same top-tier company of which the Board-

regulated institution is a controlled subsidiary; and

(ii) Where the entire amount of the deposits is covered by deposit insurance; and

(9) 40 percent of all brokered sweep deposits at the Board-regulated institution provided by a retail customer or counterparty where less than the entire amount of the deposit balance is covered by deposit insurance.

(h) *Unsecured wholesale funding outflow amount.* A Board-regulated institution's unsecured wholesale funding outflow amount, for all transactions that mature within 30 calendar days or less of the calculation date, as of the calculation date includes:

(1) For unsecured wholesale funding that is not an operational deposit and is not provided by a financial sector entity or consolidated subsidiary of a financial sector entity:

(i) 20 percent of all such funding, where the entire amount is covered by deposit insurance and the funding is not a brokered deposit;

(ii) 40 percent of all such funding, where:

(A) Less than the entire amount is covered by deposit insurance; or

(B) The funding is a brokered deposit;

(2) 100 percent of all unsecured wholesale funding that is not an operational deposit and is not included in paragraph (h)(1) of this section, including:

(i) Funding provided by a company that is a consolidated subsidiary of the same top-tier company of which the Board-regulated institution is a consolidated subsidiary; and

(ii) Debt instruments issued by the Board-regulated institution, including such instruments owned by retail customers or counterparties;

(3) 5 percent of all operational deposits, other than operational deposits that are held in escrow accounts, where the entire deposit amount is covered by deposit insurance;

(4) 25 percent of all operational deposits not included in paragraph (h)(3) of this section; and

(5) 100 percent of all unsecured wholesale funding that is not otherwise described in this paragraph (h).

(i) *Debt security buyback outflow amount.* A Board-regulated institution's debt security buyback outflow amount for debt securities issued by the Board-regulated institution that mature more than 30 calendar days after the calculation date and for which the Board-regulated institution or a consolidated subsidiary of the Board-regulated institution is the primary market maker in such debt securities includes:

(1) 3 percent of all such debt securities that are not structured securities; and

(2) 5 percent of all such debt securities that are structured securities.

(j) *Secured funding and asset exchange outflow amount.* (1) A Board-regulated institution's secured funding outflow amount, for all transactions that mature within 30 calendar days or less of the calculation date, as of the calculation date includes:

(i) Zero percent of all funds the Board-regulated institution must pay pursuant to secured funding transactions, to the extent that the funds are secured by level 1 liquid assets;

(ii) 15 percent of all funds the Board-regulated institution must pay pursuant to secured funding transactions, to the extent that the funds are secured by level 2A liquid assets;

(iii) 25 percent of all funds the Board-regulated institution must pay pursuant to secured funding transactions with sovereign entities, multilateral development banks, or U.S. government-sponsored enterprises that are assigned a risk weight of 20 percent under subpart D of Regulation Q (12 CFR part 217), to the extent that the funds are not secured by level 1 or level 2A liquid assets;

(iv) 50 percent of all funds the Board-regulated institution must pay pursuant to secured funding transactions, to the extent that the funds are secured by level 2B liquid assets;

(v) 50 percent of all funds received from secured funding transactions that are customer short positions where the customer short positions are covered by other customers' collateral and the collateral does not consist of HQLA; and

(vi) 100 percent of all other funds the Board-regulated institution must pay pursuant to secured funding transactions, to the extent that the funds

are secured by assets that are not HQLA.

(2) If an outflow rate specified in paragraph (j)(1) of this section for a secured funding transaction is greater than the outflow rate that the Board-regulated institution is required to apply under paragraph (h) of this section to an unsecured wholesale funding transaction that is not an operational deposit with the same counterparty, the Board-regulated institution may apply to the secured funding transaction the outflow rate that applies to an unsecured wholesale funding transaction that is not an operational deposit with that counterparty, except in the case of:

(i) Secured funding transactions that are secured by collateral that was received by the Board-regulated institution under a secured lending transaction or asset exchange, in which case the Board-regulated institution must apply the outflow rate specified in paragraph (j)(1) of this section for the secured funding transaction; and

(ii) Collateralized deposits that are operational deposits, in which case the Board-regulated institution may apply to the operational deposit amount, as calculated in accordance with § 249.4(b), the operational deposit outflow rate specified in paragraph (h)(3) or (4) of this section, as applicable, if such outflow rate is lower than the outflow rate specified in paragraph (j)(1) of this section.

(3) A Board-regulated institution's asset exchange outflow amount, for all transactions that mature within 30 calendar days or less of the calculation date, as of the calculation date includes:

(i) Zero percent of the fair value of the level 1 liquid assets the Board-regulated institution must post to a counterparty pursuant to asset exchanges, not described in paragraphs (j)(3)(x) through (xiii) of this section, where the Board-regulated institution will receive level 1 liquid assets from the asset exchange counterparty;

(ii) 15 percent of the fair value of the level 1 liquid assets the Board-regulated institution must post to a counterparty pursuant to asset exchanges, not described in paragraphs (j)(3)(x) through (xiii) of this section, where the Board-regulated institution will receive level 2A liquid assets from the asset exchange counterparty;

(iii) 50 percent of the fair value of the level 1 liquid assets the Board-regulated institution must post to a counterparty pursuant to asset exchanges, not described in paragraphs (j)(3)(x) through (xiii) of this section, where the Board-regulated institution will receive level 2B liquid assets from the asset exchange counterparty;

(iv) 100 percent of the fair value of the level 1 liquid assets the Board-regulated institution must post to a counterparty pursuant to asset exchanges, not described in paragraphs (j)(3)(x) through (xiii) of this section, where the Board-regulated institution will receive assets that are not HQLA from the asset exchange counterparty;

(v) Zero percent of the fair value of the level 2A liquid assets that Board-regulated institution must post to a counterparty pursuant to asset exchanges, not described in paragraphs (j)(3)(x) through (xiii) of this section, where Board-regulated institution will receive level 1 or level 2A liquid assets from the asset exchange counterparty;

(vi) 35 percent of the fair value of the level 2A liquid assets the Board-regulated institution must post to a counterparty pursuant to asset exchanges, not described in paragraphs (j)(3)(x) through (xiii) of this section, where the Board-regulated institution will receive level 2B liquid assets from the asset exchange counterparty;

(vii) 85 percent of the fair value of the level 2A liquid assets the Board-regulated institution must post to a counterparty pursuant to asset exchanges, not described in paragraphs (j)(3)(x) through (xiii) of this section, where the Board-regulated institution will receive assets that are not HQLA from the asset exchange counterparty;

(viii) Zero percent of the fair value of the level 2B liquid assets the Board-regulated institution must post to a counterparty pursuant to asset exchanges, not described in paragraphs (j)(3)(x) through (xiii) of this section, where the Board-regulated institution will receive HQLA from the asset exchange counterparty; and

(ix) 50 percent of the fair value of the level 2B liquid assets the Board-regulated institution must post to a counterparty pursuant to asset exchanges, not described in paragraphs (j)(3)(x) through (xiii) of this section, where the Board-regulated institution will receive assets that are not HQLA from the asset exchange counterparty;

(x) Zero percent of the fair value of the level 1 liquid assets the Board-regulated institution will receive from a counterparty pursuant to an asset exchange where the Board-regulated institution has rehypothecated the assets posted by the asset exchange counterparty, and, as of the calculation date, the assets will not be returned to the Board-regulated institution within 30 calendar days;

(xi) 15 percent of the fair value of the level 2A liquid assets the Board-regulated institution will receive from a counterparty pursuant to an asset exchange where the Board-regulated institution has rehypothecated the assets posted by the asset exchange counterparty, and, as of the calculation date, the assets will not be returned to the Board-regulated institution within 30 calendar days;

(xii) 50 percent of the fair value of the level 2B liquid assets the Board-regulated institution will receive from a counterparty pursuant to an asset exchange where the Board-regulated institution has rehypothecated the assets posted by the asset exchange counterparty, and, as of the calculation date, the assets will not be returned to the Board-regulated institution within 30 calendar days; and

(xiii) 100 percent of the fair value of the non-HQLA the Board-regulated institution will receive from a counterparty pursuant to an asset exchange where the Board-regulated institution has rehypothecated the assets posted by the asset exchange counterparty, and, as of the calculation date, the assets will not be returned to the Board-regulated institution within 30 calendar days.

(k) *Foreign central bank borrowing outflow amount.* A Board-regulated institution's foreign central bank borrowing outflow amount is, in a foreign jurisdiction where the Board-regulated institution has borrowed from the jurisdiction's central bank, the outflow amount assigned to borrowings from central banks in a minimum liquidity standard established in that jurisdiction. If the foreign jurisdiction has not specified a central bank borrowing outflow amount in a minimum liquidity standard, the foreign central bank borrowing outflow amount must be calculated in accordance with paragraph (j) of this section.

(l) *Other contractual outflow amount.* A Board-regulated institution's other contractual outflow amount is 100 percent of funding or amounts, with the exception of operating expenses of the Board-regulated institution (such as rents, salaries, utilities, and other similar payments), payable by the Board-regulated institution to counterparties under legally binding agreements that are not otherwise specified in this section.

(m) *Excluded amounts for intragroup transactions.* The outflow amounts set forth in this section do not include amounts arising out of transactions between:

(1) The Board-regulated institution and a consolidated subsidiary of the Board-regulated institution; or

(2) A consolidated subsidiary of the Board-regulated institution and another consolidated subsidiary of the Board-regulated institution.

§ 249.33 Inflow amounts.

(a) The inflows in paragraphs (b) through (g) of this section do not include:

(1) Amounts the Board-regulated institution holds in operational deposits at other regulated financial companies;

(2) Amounts the Board-regulated institution expects, or is contractually entitled to receive, 30 calendar days or less from the calculation date due to forward sales of mortgage loans and any derivatives that are mortgage commitments subject to § 249.32(d);

(3) The amount of any credit or liquidity facilities extended to the Board-regulated institution;

(4) The amount of any asset that is eligible HQLA and any amounts payable to the Board-regulated institution with respect to that asset;

(5) Any amounts payable to the Board-regulated institution from an

obligation of a customer or counterparty that is a nonperforming asset as of the calculation date or that the Board-regulated institution has reason to expect will become a nonperforming exposure 30 calendar days or less from the calculation date; and

(6) Amounts payable to the Board-regulated institution with respect to any transaction that has no contractual maturity date or that matures after 30 calendar days of the calculation date (as determined by § 249.31).

(b) *Net derivative cash inflow amount.* The net derivative cash inflow amount as of the calculation date is the sum of the net derivative cash inflow amount for each counterparty. The net derivative cash inflow amount does not include amounts excluded from inflows under paragraph (a)(2) of this section. The net derivative cash inflow amount for a counterparty is the sum of:

(1) The amount, if greater than zero, of contractual payments and collateral that the Board-regulated institution will receive from the counterparty 30 calendar days or less from the calculation date under derivative transactions other than transactions described in paragraph (b)(2) of this section, less the contractual payments and collateral that the Board-regulated institution will make or deliver to the counterparty 30 calendar days or less from the calculation date under derivative transactions other than transactions described in paragraph (b)(2) of this section, provided that the derivative transactions are subject to a qualifying master netting agreement; and

(2) The amount, if greater than zero, of contractual principal payments that the Board-regulated institution will receive from the counterparty 30 calendar days or less from the calculation date under foreign currency exchange derivative transactions that result in the full exchange of contractual cash principal payments in different currencies within the same business day, less the contractual principal payments that the Board-regulated institution will make to the counterparty 30 calendar days or less from the calculation date under foreign currency exchange derivative transactions that result in the full exchange of contractual cash principal payments in different currencies within the same business day.

(c) *Retail cash inflow amount.* The retail cash inflow amount as of the calculation date includes 50 percent of all payments contractually payable to the Board-regulated institution from retail customers or counterparties.

(d) *Unsecured wholesale cash inflow amount.* The unsecured wholesale cash inflow amount as of the calculation date includes:

(1) 100 percent of all payments contractually payable to the Board-regulated institution from financial sector entities, or from a consolidated subsidiary thereof, or central banks; and

(2) 50 percent of all payments contractually payable to the Board-regulated institution from wholesale customers or counterparties that are not financial sector entities or consolidated subsidiaries thereof, provided that, with respect to revolving credit facilities, the amount of the existing loan is not included in the unsecured wholesale cash inflow amount and the remaining undrawn balance is included in the outflow amount under § 249.32(e)(1).

(e) *Securities cash inflow amount.* The securities cash inflow amount as of the calculation date includes 100 percent of all contractual payments due to the Board-regulated institution on securities it owns that are not eligible HQLA.

(f) *Secured lending and asset exchange cash inflow amount.* (1) A Board-regulated institution's secured lending cash inflow amount as of the calculation date includes:

(i) Zero percent of all contractual payments due to the Board-regulated institution pursuant to secured lending transactions, including margin loans extended to customers, to the extent that the payments are secured by collateral that has been rehypothecated in a transaction and, as of the calculation date, will not be returned to the Board-regulated institution within 30 calendar days;

(ii) 100 percent of all contractual payments due to the Board-regulated institution pursuant to secured lending transactions not described in paragraph (f)(1)(vii) of this section, to the extent that the payments are secured

by assets that are not eligible HQLA, but are still held by the Board-regulated institution and are available for immediate return to the counterparty at any time;

(iii) Zero percent of all contractual payments due to the Board-regulated institution pursuant to secured lending transactions not described in paragraphs (f)(1)(i) or (ii) of this section, to the extent that the payments are secured by level 1 liquid assets;

(iv) 15 percent of all contractual payments due to the Board-regulated institution pursuant to secured lending transactions not described in paragraphs (f)(1)(i) or (ii) of this section, to the extent that the payments are secured by level 2A liquid assets;

(v) 50 percent of all contractual payments due to the Board-regulated institution pursuant to secured lending transactions not described in paragraphs (f)(1)(i) or (ii) of this section, to the extent that the payments are secured by level 2B liquid assets;

(vi) 100 percent of all contractual payments due to the Board-regulated institution pursuant to secured lending transactions not described in paragraphs (f)(1)(i), (ii), or (vii) of this section, to the extent that the payments are secured by assets that are not HQLA; and

(vii) 50 percent of all contractual payments due to the Board-regulated institution pursuant to collateralized margin loans extended to customers, not described in paragraph (f)(1)(i) of this section, provided that the loans are secured by assets that are not HQLA.

(2) A Board-regulated institution's asset exchange inflow amount as of the calculation date includes:

(i) Zero percent of the fair value of assets the Board-regulated institution will receive from a counterparty pursuant to asset exchanges, to the extent that the asset received by the Board-regulated institution from the counterparty has been rehypothecated in a transaction and, as of the calculation date, will not be returned to the Board-regulated institution within 30 calendar days;

(ii) Zero percent of the fair value of level 1 liquid assets the Board-regulated institution will receive from a counterparty pursuant to asset exchanges, not described in paragraph (f)(2)(i) of this section, where the Board-regulated institution must post level 1 liquid assets to the asset exchange counterparty;

(iii) 15 percent of the fair value of level 1 liquid assets the Board-regulated institution will receive from a counterparty pursuant to asset exchanges, not described in paragraph (f)(2)(i) of this section, where the Board-regulated institution must post level 2A liquid assets to the asset exchange counterparty;

(iv) 50 percent of the fair value of level 1 liquid assets the Board-regulated institution will receive from counterparty pursuant to asset exchanges, not described in paragraph (f)(2)(i) of this section, where the Board-regulated institution must post level 2B liquid assets to the asset exchange counterparty;

(v) 100 percent of the fair value of level 1 liquid assets the Board-regulated institution will receive from a counterparty pursuant to asset exchanges, not described in paragraph (f)(2)(i) of this section, where the Board-regulated institution must post assets that are not HQLA to the asset exchange counterparty;

(vi) Zero percent of the fair value of level 2A liquid assets the Board-regulated institution will receive from a counterparty pursuant to asset exchanges, not described in paragraph (f)(2)(i) of this section, where the Board-regulated institution must post level 1 or level 2A liquid assets to the asset exchange counterparty;

(vii) 35 percent of the fair value of level 2A liquid assets the Board-regulated institution will receive from a counterparty pursuant to asset exchanges, not described in paragraph (f)(2)(i) of this section, where the Board-regulated institution must post level 2B liquid assets to the asset exchange counterparty;

(viii) 85 percent of the fair value of level 2A liquid assets the Board-regulated institution will receive from a counterparty pursuant to asset exchanges, not described in paragraph (f)(2)(i) of this section, where the Board-regulated institution must post

assets that are not HQLA to the asset exchange counterparty;

(ix) Zero percent of the fair value of level 2B liquid assets the Board-regulated institution will receive from a counterparty pursuant to asset exchanges, not described in paragraph (f)(2)(i) of this section, where the Board-regulated institution must post assets that are HQLA to the asset exchange counterparty; and

(x) 50 percent of the fair value of level 2B liquid assets the Board-regulated institution will receive from a counterparty pursuant to asset exchanges, not described in paragraph (f)(2)(i) of this section, where the Board-regulated institution must post assets that are not HQLA to the asset exchange counterparty.

(g) *Broker-dealer segregated account inflow amount.* A Board-regulated institution's broker-dealer segregated account inflow amount is the fair value of all assets released from broker-dealer segregated accounts maintained in accordance with statutory or regulatory requirements for the protection of customer trading assets, provided that the calculation of the broker-dealer segregated account inflow amount, for any transaction affecting the calculation of the segregated balance (as required by applicable law), shall be consistent with the following:

(1) In calculating the broker-dealer segregated account inflow amount, the Board-regulated institution must calculate the fair value of the required balance of the customer reserve account as of 30 calendar days from the calculation date by assuming that customer cash and collateral positions have changed consistent with the outflow and inflow calculations required under §§ 249.32 and 249.33.

(2) If the fair value of the required balance of the customer reserve account as of 30 calendar days from the calculation date, as calculated consistent with the outflow and inflow calculations required under §§ 249.32 and 249.33, is less than the fair value of the required balance as of the calculation date, the difference is the segregated account inflow amount.

(3) If the fair value of the required balance of the customer reserve account as of 30 calendar days from the calculation date, as calculated consistent with the outflow and inflow calculations required under §§ 249.32 and 249.33, is more than the fair value of the required balance as of the calculation date, the segregated account inflow amount is zero.

(h) *Other cash inflow amounts.* A Board-regulated institution's inflow amount as of the calculation date includes zero percent of other cash inflow amounts not included in paragraphs (b) through (g) of this section.

(i) *Excluded amounts for intragroup transactions.* The inflow amounts set forth in this section do not include amounts arising out of transactions between:

(1) The Board-regulated institution and a consolidated subsidiary of the Board-regulated institution; or

(2) A consolidated subsidiary of the Board-regulated institution and another consolidated subsidiary of the Board-regulated institution.

Subpart E—Liquidity Coverage Shortfall

§ 249.40 Liquidity coverage shortfall: Supervisory framework.

(a) *Notification requirements.* A Board-regulated institution must notify the Board on any business day when its liquidity coverage ratio is calculated to be less than the minimum requirement in § 249.10.

(b) *Liquidity plan.* (1) For the period during which a Board-regulated institution must calculate a liquidity coverage ratio on the last business day of each applicable calendar month under subparts F or G of this part, if the Board-regulated institution's liquidity coverage ratio is below the minimum requirement in § 249.10 for any calculation date that is the last business day of the applicable calendar month, or if the Board has determined that the Board-regulated institution is otherwise materially noncompliant with the requirements of this part, the Board-regulated institution must promptly consult with the Board to determine whether the Board-regulated institution must provide to the Board a plan for achieving compliance with the minimum liquidity requirement in § 249.10 and all other requirements of this part.

(2) For the period during which a Board-regulated institution must calculate a liquidity coverage ratio each business day under subpart F of this part, if a Board-regulated institution's liquidity coverage ratio is below the minimum requirement in § 249.10 for three consecutive business days, or if the Board has determined that the Board-regulated institution is otherwise materially noncompliant with the requirements of this part, the Board-regulated institution must promptly provide to the Board a plan for achieving compliance with the minimum liquidity requirement in § 249.10 and all other requirements of this part.

(3) The plan must include, as applicable:

(i) An assessment of the Board-regulated institution's liquidity position;

(ii) The actions the Board-regulated institution has taken and will take to achieve full compliance with this part, including:

(A) A plan for adjusting the Board-regulated institution's risk profile, risk management, and funding sources in order to achieve full compliance with this part; and

(B) A plan for remediating any operational or management issues that contributed to noncompliance with this part;

(iii) An estimated time frame for achieving full compliance with this part; and

(iv) A commitment to report to the Board no less than weekly on progress to achieve compliance in accordance with the plan until full compliance with this part is achieved.

(c) *Supervisory and enforcement actions.* The Board may, at its discretion, take additional supervisory or enforcement actions to address noncompliance with the minimum liquidity standard and other requirements of this part.

[79 FR 61523, 61539, Oct. 10, 2014, as amended at 79 FR 61540, Oct. 10, 2014]

Subpart F—Transitions

§ 249.50 Transitions.

(a) Covered depository institution holding companies with $700 billion or more in total consolidated assets or $10 trillion or more in assets under custody. For any depository institution holding company that has total consolidated assets equal to $700 billion or more, as reported on the company's most recent Consolidated Financial Statements for Holding Companies (FR Y–9C), or $10 trillion or more in assets under custody, as reported on the company's most recent Banking Organization Systemic Risk Report (FR Y–15), and any depository institution that is a consolidated subsidiary of such depository institution holding company that has total consolidated assets equal to $10 billion or more, as reported on the most recent year-end Consolidated Report of Condition and Income:

(1) Beginning January 1, 2015, through June 30, 2015, the Board-regulated institution must calculate and maintain a liquidity coverage ratio monthly, on each calculation date that is the last business day of the applicable calendar month, in accordance with this part, that is equal to or greater than 0.80.

(2) Beginning July 1, 2015 through December 31, 2015, the Board-regulated institution must calculate and maintain a liquidity coverage ratio on each calculation date in accordance with this part that is equal to or greater than 0.80.

(3) Beginning January 1, 2016, through December 31, 2016, the Board-regulated institution must calculate and maintain a liquidity coverage ratio on each calculation date in accordance with this part that is equal to or greater than 0.90.

(4) On January 1, 2017, and thereafter, the Board-regulated institution must calculate and maintain a liquidity coverage ratio on each calculation date that is equal to or greater than 1.0.

(b) *Other Board-regulated institutions.* For any Board-regulated institution subject to a minimum liquidity standard under this part not described in paragraph (a) of this section:

(1) Beginning January 1, 2015, through December 31, 2015, the Board-regulated institution must calculate and maintain a liquidity coverage ratio monthly, on each calculation date that is the last business day of the applicable calendar month, in accordance with this part, that is equal to or greater than 0.80.

(2) Beginning January 1, 2016, through June 30, 2016, the Board-regulated institution must calculate and maintain a liquidity coverage ratio monthly, on each calculation date that is the last business day of the applicable calendar month, in accordance with this part, that is equal to or greater than 0.90.

(3) Beginning July 1, 2016, through December 31, 2016, the Board-regulated institution must calculate and maintain a liquidity coverage ratio on each calculation date in accordance with this part that is equal to or greater than 0.90.

(4) On January 1, 2017, and thereafter, the Board-regulated institution must calculate and maintain a liquidity coverage ratio on each calculation date that is equal to or greater than 1.0.

Subpart G—Liquidity Coverage Ratio for Certain Bank Holding Companies

SOURCE: 79 FR 61540, Oct. 10, 2014, unless otherwise noted.

§ 249.60 Applicability.

(a) *Scope.* This subpart applies to a covered depository institution holding company domiciled in the United States that has total consolidated assets equal to $50 billion or more, based on the average of the Board-regulated institution's four most recent FR Y–9Cs (or, if a savings and loan holding company is not required to report on the FR Y–9C, based on the average of its estimated total consolidated assets for the most recent four quarters, calculated in accordance with the instructions to the FR Y–9C) and does not meet the applicability criteria set forth in § 249.1(b).

(b) *Applicable provisions.* Except as otherwise provided in this subpart, the provisions of subparts A through E of this part apply to covered depository institution holding companies that are subject to this subpart.

(c) *Applicability.* Subject to the transition periods set forth in § 249.61:

(1) A Board-regulated institution that meets the threshold for applicability of this subpart under paragraph (a) of this section on September 30, 2014, must comply with the requirements of this subpart beginning on January 1, 2015; and

(2) A Board-regulated institution that first meets the threshold for applicability of this subpart under paragraph (a) of this section after September 30, 2014, must comply with the requirements of this subpart beginning on the first day of the first quarter after which it meets the threshold set forth in paragraph (a).

§ 249.61 Liquidity coverage ratio.

(a) *Calculation of liquidity coverage ratio.* A Board-regulated institution subject to this subpart must calculate and maintain a liquidity coverage ratio in accordance with § 249.10 and this subpart, provided however, that such Board-regulated institution shall only be required to maintain a liquidity coverage ratio that is equal to or greater than 1.0 on last business day of the applicable calendar month. A Board-regulated institution subject to this subpart must calculate its liquidity coverage ratio as of the same time on each calculation day (elected calculation time). The Board-regulated institution must select this time by written notice to the Board prior to the effective date of this rule. The Board-regulated institution may not thereafter change its elected calculation time without prior written approval from the Board.

(b) *Transitions.* For any Board-regulated institution subject to a minimum liquidity standard under this subpart:

(1) Beginning January 1, 2016, through December 31, 2016, the Board-regulated institution must calculate and maintain a liquidity coverage ratio monthly, on each calculation date, in accordance with this subpart, that is equal to or greater than 0.90.

(2) Beginning January 1, 2017 and thereafter, the Board-regulated institution must calculate and maintain a liquidity coverage ratio monthly, on each calculation date, in accordance with this subpart, that is equal to or greater than 1.0.

§ 249.62 High-quality liquid asset amount.

A covered depository institution holding company subject to this subpart must calculate its HQLA amount

in accordance with subpart C of this part.

§ 249.63 Total net cash outflow.

(a) A covered depository institution holding company subject to this subpart must calculate its cash outflows and inflows in accordance with subpart D of this part, provided, however, that as of the calculation date, the total net cash outflow amount of a covered depository institution subject to this subpart equals 70 percent of:

(1) The sum of the outflow amounts calculated under § 249.32(a) through (l); *less:*

(2) The lesser of:

(i) The sum of the inflow amounts under § 249.33(b) through (g); and

(ii) 75 percent of the amount in paragraph (a)(1) of this section as calculated for that calendar day.

(b) [Reserved]

PART 250—MISCELLANEOUS INTERPRETATIONS

INTERPRETATIONS

AUTHORITY: 12 U.S.C. 78, 248(i), 371c(f) and 371c–1(e).

SOURCE: 33 FR 9866, July 10, 1968, unless otherwise noted.

INTERPRETATIONS

§ 250.141 Member bank purchase of stock of "operations subsidiaries."

(a) The Board of Governors has reexamined its position that the so-called ''stock-purchase prohibition'' of section 5136 of the Revised Statutes (12 U.S.C. 24), which is made applicable to member State banks by the 20th paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 335), forbids the purchase by a member bank ''for its own account of any shares of stock of any corporation'' (the statutory language), except as specifically permitted by provisions of Federal law or as comprised within the concept of ''such incidental powers as shall be necessary to carry on the business of banking'', referred to in the first sentence of paragraph ''Seventh'' of R.S. 5136.